

Writer's Direct Dial Number: (850) 521-1706
Writer's E-Mail Address: bkeating@gunster.com

August 13, 2026

VIA E-PORTAL

Mr. Adam Teitzman
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

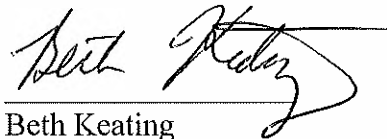
Re: Docket No. 20260026-GU – Application for Rate Increase by Florida City Gas.

Dear Mr. Teitzman:

Attached for filing, please find the Rebuttal Testimony of John Taylor for Florida City Gas.

Thank you for your assistance with this filing. As always, please don't hesitate to let me know if you have any questions whatsoever.

Sincerely,



Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301

MEK
Enclosures
Cc:// Certificate of Service

1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2
3 Docket No. 20260026-GU: Petition for rate increase by Florida City Gas

4 Prepared Rebuttal Testimony of John Taylor

5 Date of Filing: August 13, 2026

6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

1		<u>Table of Contents</u>	
2	<u>SECTION</u>		<u>PAGE</u>
3	I. Introduction		3
4	II. Purpose and Summary of Testimony		3
5	III. Class Cost of Service Study		4
6	IV. Revenue Apportionment		9
7	V. Customer and Therm Sales Forecasts		12
8	VI. Summary		14
9			

1 **I. Introduction**

2 **Q. Please state your name, occupation and business address.**

3 A. My name is John D. Taylor, and my business address is 10 Hospital Center Commons,
4 Suite 400, Hilton Head Island, South Carolina 29926. I am the Co-Founder and Chief
5 Executive Officer (“CEO”) of Atrium Economics (“Atrium”).

6 **Q. Have you previously filed direct testimony in this docket?**

7 A. Yes, I filed direct testimony on behalf of Florida City Gas which I refer to herein as
8 either “the Company” or “FCG.”

9 **Q. Has your employment status and job responsibilities remained the same since**
10 **discussed in your previous testimony?**

11 A. Yes.

12 **Q. Are you providing any exhibits with your rebuttal testimony?**

13 A. No.

14 **II. Purpose and Summary of Testimony**

15 **Q. What is the purpose of your rebuttal testimony?**

16 A. The purpose of my rebuttal testimony is to address specific positions presented in the
17 testimony of Federal Executive Agencies (“FEA”) witness Michael P. Gorman
18 (“Witness Gorman”). Specifically, I will address his recommendations related to the
19 Class Cost of Service Study (“COSS”) and the revenue requirement apportionment. I
20 will also address concerns raised by Office of Public Counsel (“OPC”) witness
21 Helmuth W. Schultz, III regarding the Company’s customer and therm sales forecasts
22 and potential change to base rate revenues.

23 **Q. Please summarize the key issues addressed in your rebuttal testimony.**

1 A. The key issues addressed in the testimony relate to the following topics:

- 2 • **Classification and allocation of distribution mains.** Witness Gorman agrees with
3 the Company's proposed classification of distribution mains between customer- and
4 demand-related components, but challenges the Company's use of the Peak and
5 Average method to allocate the demand-related component. I explain why continued
6 use of the Peak and Average method is reasonable.
- 7 • **Class revenue apportionment.** Witness Gorman proposes an alternative allocation of
8 the requested revenue increase among customer classes. I explain why the Company's
9 proposal reasonably uses the COSS as an analytical guide while also applying
10 gradualism, rate stability, customer-impact considerations, contractual limitations, and
11 other relevant ratemaking factors.
- 12 • **Customer and therm sales forecasts.** OPC witness Schultz raises concerns regarding
13 the Company's customer and therm sales forecasts based on actual results through
14 March 2026. I explain why his reliance on partial-year results, including the
15 annualization of first-quarter therm sales without accounting for seasonality, weather,
16 or weather normalization, does not demonstrate that the Company's annual forecasts
17 are understated.

18 **III. Class Cost of Service Study**

19 **Q. Does Witness Gorman dispute the Company's use of customer and demand**
20 **components to classify and allocate distribution mains?**

1 A. No. Witness Gorman supports the Company's Proposed COSS¹, which classifies
2 distribution mains using both customer and demand components, and states that this
3 classification more accurately reflects how those costs are incurred to provide service
4 to the Company's rate classes.²

5 Witness Gorman also agrees that the Proposed COSS is more reasonable than the
6 Supplemental COSS, which classifies distribution mains entirely as demand-related.
7 Thus, there is no dispute that a portion of distribution mains should be classified and
8 allocated on a customer basis.

9 **Q. What COSS issue remains in dispute between the Company and Witness**
10 **Gorman?**

11 A. The remaining dispute concerns the allocation of the demand-related portion of
12 distribution mains. The Company uses the Peak and Average allocation factor
13 ("P&A"), while Witness Gorman recommends that the Commission direct FCG to use
14 a class-specific, design-day demand allocator in its next rate case.

15 **Q. Please describe how the Company's P&A allocator is applied.**

16 A. The P&A allocator gives equal weight to: (1) each class's contribution to system peak-
17 month sales; and (2) each class's average normalized annual sales. Under the Proposed
18 COSS, approximately 30 percent of total mains investment is first classified as
19 customer-related and allocated based on customer counts. The remaining demand-
20 related portion is allocated using the P&A allocation factor.

¹ In its application and direct testimony, FCG presented two class cost-of-service studies for comparative purposes: (1) the Proposed COSS, which applies a customer/demand classification to distribution mains; and (2) the Supplemental COSS, which applies a demand-based classification to distribution mains.

² FEA Direct Testimony of Michael P. Gorman at 2.

1 This distinction is important. The Company does not allocate all distribution-mains
2 investment based on annual throughput. It first recognizes the customer-related
3 investment required to extend and maintain the distribution network and then applies
4 a composite demand allocator to the remaining joint and common capacity costs.

5 **Q. How do you respond to Witness Gorman's recommendation that FCG use a class-**
6 **specific design-day demand allocator?**

7 A. Design-day demand is a relevant engineering measure because distribution facilities
8 must be capable of meeting maximum system requirements. In addition, design day is
9 a useful allocation method, and witness Gorman's recommendation on its use is
10 reasonable, particularly for more northern climates where there is high weather-
11 sensitive usage and design day criteria is more influential than peak month demand
12 when setting capacity requirements. However, other contributing factors should also
13 be considered, including the availability and reliability of class-specific demand data,
14 the extent to which peak conditions are influenced by weather or operating conditions,
15 the diversity of load among customer classes, the relationship between peak-period
16 responsibility and year-round use of the shared distribution system, and the need for
17 an allocator that can be applied consistently and transparently using auditable test-year
18 information.

19 In that context, the peak-month component of the P&A allocator supplies an
20 observable measure of relative class responsibility during the Company's peak sales
21 period, while the average component recognizes the degree to which the shared
22 distribution system is used throughout the year and reduces the sensitivity of the
23 allocation to the circumstances of a single month.

1 It is also important to distinguish Witness Gorman's preferred design-day approach
2 from the information required in the Commission's MFR schedules. The MFR
3 schedules do not mandate the use of design-day demand as the allocator for the
4 demand-related portion of distribution mains. Rather, MFR Schedule E-4 identifies
5 "Contribution to the System Peak Month Sales by Rate Class," which is based on
6 annual peak-month sales rather than design-day demand. By relying on peak-month
7 sales as one component of the P&A allocator, FCG uses an observable measure that is
8 consistent with the Commission's MFR framework and remains supported by
9 auditable test-year information.

10 **Q. Is the average component of the P&A allocator inconsistent with your direct**
11 **testimony that annual throughput does not cause distribution-mains investment?**

12 A. No. My direct testimony explains that annual throughput, standing alone, does not
13 determine the amount or size of distribution mains installed. That cost-causation
14 conclusion supports classifying mains as customer- and demand-related rather than
15 commodity-related. The use of average annual sales as one component of a composite
16 demand allocator does not reclassify the costs as commodity-related or imply that
17 annual throughput alone caused the investment.

18 Cost classification and cost allocation are related but distinct steps. Classification
19 identifies the nature of the cost. Allocation distributes the classified joint and common
20 cost among customer classes using a reasonable proxy for relative responsibility. Here,
21 the P&A factor combines peak-period responsibility with sustained system use; it does
22 not rely exclusively on annual usage.

1 **Q. How do you respond to witness Gorman's statement that average use is reflected**
2 **in both components of the P&A allocator.**

3 A. The average component is embedded in the peak component, and this is why in some
4 jurisdictions³, and some cost analysts, use the average and excess method to account
5 for this duplication. However, it is worth noting that peak-month contribution and
6 average annual use measure different load characteristics. The peak component
7 measures how concentrated a class's demand is during the system peak month. The
8 average component measures the class's use over the annual period. Two classes can
9 have similar annual use but materially different contributions to the peak month, or
10 similar peak-month use but different annual load factors.

11 **Q. What is your conclusion regarding Witness Gorman's COSS recommendation?**

12 A. The Commission should approve the Company's Proposed COSS in this proceeding.
13 Witness Gorman does not dispute the Company's customer/demand classification of
14 distribution mains, and the remaining disagreement concerns only the allocator used
15 for the demand-related portion of those costs. As explained above, the Company's
16 P&A allocator provides a reasonable, transparent, and practical measure of relative
17 class responsibility by considering both peak-period contribution and sustained use of
18 the shared distribution system, and is in alignment with recent practices in Florida.
19 Witness Gorman has not provided a quantified class-specific design-day allocator or
20 demonstrated that replacing the Company's established approach would produce a
21 more reliable or reasonable COSS for this case, where the residential load or

³ The issue of peak and average vs. average and excess for the allocation of mains when an average component is included has been a debated issue in Pennsylvania for at least the last decade.

1 throughput is significantly lower than the industrial or large volume customers and the
2 customers all take service in a much warmer climate with less heating load as
3 compared to more weather sensitive gas utilities.

4 **IV. Revenue Apportionment**

5 **Q. Please summarize the principal positions advanced by Witness Gorman**
6 **regarding revenue allocation.**

7 **A.** While FEA proposes an alternative revenue apportionment, Witness Gorman does not
8 reject the general principle that class revenues should continue to move closer to cost
9 responsibility while considering gradualism and customer impact. Rather, FEA's
10 recommendations primarily concern the degree of movement among classes.
11 Specifically, FEA proposes a revenue apportionment so that no class gets an increase
12 more than 1.2x the system average increase, and no less than 0.5x the system average
13 increase.⁴ Thus, FEA's proposal generally recognizes cost-of-service results as an
14 important reference point, but applies different judgments regarding the appropriate
15 degree of movement among classes in this proceeding.

16 **Q. Have you compared the revenue apportionment outcome proposed by FEA?**

17 **A.** Yes. I compared the revenue increases and class revenue apportionment under the
18 Company's proposal with FEA's alternative proposal supported by Witness Gorman,
19 as shown in Tables 1R and 2R.

⁴ FEA Direct Testimony of Michael P. Gorman at 18.

Table 1R – Comparison of Revenue Increase by Class Among Parties

Rate Classes	FCG		FEA	
	Proposed Revenue Increase	% Increase Allocation	Proposed Revenue Increase	% Increase Allocation
RS	\$ 16,129	34.41%	\$ 25,157	53.67%
RSG	29	0.06%	29	0.06%
GS-1	12,648	26.98%	6,689	14.27%
GS-2 (10K)	10,853	23.16%	5,859	12.50%
GS-3 50K)	2,349	5.01%	1,431	3.05%
GS-4 (120K)	3,901	8.32%	6,347	13.54%
GS-5 (1250K)	397	0.85%	794	1.69%
GS-6 (11M)	-	0.00%	-	0.00%
GS-7 (25M)	-	0.00%	-	0.00%
CSG	330	0.70%	330	0.70%
Special Contracts	235	0.50%	235	0.50%
Total	46,871	100.00%	46,871	100.00%

Table 2R – Comparison of Revenue Allocation by Class Among Parties

Rate Classes	Current FCG*		Proposed FCG			FEA		
	Revenues	% Allocation	Proposed Revenue Allocation	% Allocation	% Change from Current	Proposed Revenue Allocation	% Allocation	% Change from Current
RS	\$ 53,042	49.16%	\$ 69,171	44.69%	30.41%	\$ 78,199	50.53%	47.43%
RSG	\$ 23	0.02%	\$ 52	0.03%	124.27%	\$ 52	0.03%	125.00%
GS-1	\$ 16,416	15.21%	\$ 29,063	18.78%	77.05%	\$ 23,105	14.93%	40.75%
GS-2 (10K)	\$ 14,087	13.06%	\$ 24,940	16.11%	77.05%	\$ 19,946	12.89%	41.59%
GS-3 50K)	\$ 3,049	2.83%	\$ 5,399	3.49%	77.05%	\$ 4,480	2.89%	46.93%
GS-4 (120K)	\$ 12,830	11.89%	\$ 16,731	10.81%	30.41%	\$ 19,177	12.39%	49.47%
GS-5 (1250K)	\$ 3,655	3.39%	\$ 4,052	2.62%	10.86%	\$ 4,449	2.87%	21.73%
GS-6 (11M)	\$ -	0.00%	\$ -	0.00%	0.00%	\$ -	0.00%	0.00%
GS-7 (25M)	\$ -	0.00%	\$ -	0.00%	0.00%	\$ -	0.00%	0.00%
CSG	\$ 58	0.05%	\$ 388	0.25%	571.57%	\$ 388	0.25%	570.89%
Special Contracts	\$ 4,740	4.39%	\$ 4,975	3.21%	4.95%	\$ 4,975	3.21%	4.96%
Total	\$ 107,899	100.00%	154,770	100.00%	43.44%	\$ 154,770	100.00%	43.44%

*Includes SAFE Revenue

1 **Q. What explains the differences between the Company's and FEA's proposed**
2 **revenue apportionments?**

3 Cost-of-service study results provide an important analytical foundation for revenue
4 apportionment, but they do not mechanically determine the revenue increase assigned
5 to each customer class. Different revenue-apportionment proposals may reasonably

1 result because judgment is required to determine how quickly each class should move
2 toward its indicated cost of service while considering gradualism, rate stability,
3 customer impacts, existing rate relationships, contractual limitations, and other
4 relevant ratemaking considerations.

5 Neither the Company nor FEA proposes to move every rate class fully to cost-of-
6 service parity in a single step. Instead, each proposal applies different parameters and
7 judgments regarding the appropriate degree of movement toward cost-based rates. The
8 Company's proposal applies a more mitigated increase to the Residential class in order
9 to limit the magnitude of the rate impact on residential customers, while still materially
10 improving the class's rate of return. The resulting differences therefore reflect not only
11 the underlying cost-of-service results, but also the manner in which those results are
12 balanced against customer impacts and other ratemaking objectives.

13 Notwithstanding these differences, both the Company's and FEA's proposals move
14 the Residential Standby Generator and Commercial Standby Generator classes to full
15 cost recovery under the proposed revenue targets.

16 **Q. How should the Commission consider these differences when evaluating the**
17 **various proposals?**

18 A. These differences demonstrate that revenue allocation is not a mechanical outcome of
19 any single cost-of-service study. Rather, it reflects both analytical results and informed
20 ratemaking discretion. The primary issue is how to reasonably allocate the approved
21 revenue requirement among customer classes while balancing cost-of-service
22 principles with gradualism, rate stability, and customer impacts. As I explained in my
23 direct testimony, the Company developed a set of guiding principles to ensure that

1 revenue adjustments are allocated in a fair, transparent, and practical manner across
2 customer classes.

3 **Q. Does the alternative revenue apportionment proposal presented by FEA cause**
4 **you to modify your recommendation?**

5 A. No. The alternative revenue apportionment proposal does not cause me to change my
6 recommendation. The Company's proposal mitigates the impact to the Residential
7 class while moving Residential Standby Generator and Commercial Standby
8 Generator to their cost to serve reflecting appropriate consideration of gradualism, rate
9 stability, and customer impacts. In my view, that approach provides a fair and practical
10 basis for assigning the approved revenue requirement among customer classes in this
11 proceeding.

12 **V. Customer and Therm Sales Forecasts**

13 **Q. OPC Witness Schultz raises concerns regarding both the Company's customer**
14 **forecast and therm sales forecast based on actual results through March 2026.**
15 **Do his comparisons demonstrate that the Company's forecasts are understated?**

16 A. No. Mr. Schultz's comparisons do not provide a reasonable basis for concluding that
17 either the Company's customer forecast or therm sales forecast is understated. In both
18 instances, he relies on only the first three months of actual 2026 results and attempts
19 to draw conclusions regarding forecasts covering the entire year without
20 demonstrating that first-quarter experience is representative of the remaining nine
21 months.

22 With respect to customers, Mr. Schultz's calculation is simply an extrapolation of
23 partial-year results. He provides no analysis demonstrating that customer additions

1 occur evenly throughout the year or that the pace of customer additions experienced
2 from January through March should be expected to continue during the remaining nine
3 months. He does not analyze historical monthly customer additions, seasonal patterns
4 in customer growth, the timing of new customer connections, or other factors that
5 could be used to determine whether first-quarter customer growth is representative of
6 annual growth. Accordingly, observing that a certain percentage of the forecasted
7 annual increase occurred during the first quarter does not, by itself, demonstrate that
8 the annual customer forecast is understated.

9 The shortcomings are even more apparent with respect to therm sales. Mr. Schultz
10 observes that actual therm sales through March 2026 were approximately 49.5 million
11 therms and annualizes that amount to approximately 198.0 million therms, which he
12 compares with the Company's forecast of approximately 180.6 million therms.
13 Importantly, Mr. Schultz expressly acknowledges that he cannot say whether
14 seasonality and weather would affect that extrapolation and states that he is merely
15 identifying the scenario as a basis for further inquiry.

16 Mr. Schultz also acknowledges that utilities have previously explained that partial-
17 year results are affected by seasonal impacts, including Florida's seasonal population,
18 and states that, in his experience, such explanations have often been accepted. His own
19 testimony therefore recognizes why extrapolating first-quarter results over an entire
20 year may not provide a meaningful test of the Company's forecast.

21 There is an additional fundamental problem with his therm comparison. The
22 Company's forecast reflects weather-normalized usage, while Mr. Schultz compares
23 that forecast with actual first-quarter usage without weather-normalizing the actual

1 data. Actual therm usage during January through March reflects the weather actually
2 experienced during those months. Comparing that unadjusted actual usage with a
3 weather-normalized annual forecast is therefore not an apples-to-apples comparison
4 and provides little information regarding whether the Company's underlying usage
5 forecast is reasonable.

6 **VI. Summary**

7 **Q. What outcome should the Commission adopt in response to the points you raised**
8 **in your rebuttal testimony.**

9 A. Based on the issues addressed in the testimony, the following items are recommended
10 for Commission approval:

- 11 • **Approve the Company's Proposed COSS.** The Commission should approve
12 the Company's classification of distribution mains between customer- and
13 demand-related components because that approach reasonably recognizes both
14 the customer-related investment required to extend and maintain the
15 distribution network and the demand-related costs associated with shared
16 system capacity.
- 17 • **Approve continued use of the P&A allocator.** The Commission should
18 approve the Company's use of the Peak and Average allocation factor for the
19 demand-related portion of distribution mains as it is in alignment with recent
20 practices in Florida, and provides a reasonable, transparent, and practical
21 measure of relative class responsibility.
- 22 • **Approve the Company's proposed revenue apportionment.** The
23 Commission should approve the Company's revenue apportionment because

1 it reasonably uses the COSS as the primary analytical guide moderating
2 customer impacts, and reflecting gradualism, and rate stability.

3 • **Approve the Company's customer and therm sales forecasts.** The
4 Commission should approve the Company's forecasts because they reflect a
5 reasonable forecasting methodology supported by statistical analysis,
6 historical data, and weather-normalized usage assumptions.

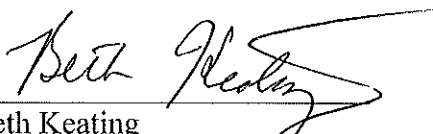
7 **Q. Does this conclude your rebuttal testimony?**

8 **A. Yes.**

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Rebuttal Testimony of John Taylor has been furnished by Electronic Mail and/or Electronic Data Room access to the following parties of record this 13th day of August, 2026:

Major Thompson Alisha Hixon Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399 mthompso@psc.state.fl.us ahixon@leg.state.fl.us discovery-gcl@psc.state.fl.us	Office of Public Counsel Walter Trierweiler/Charles Rehwinkel/Patricia Christensen/Austin Watrous c/o The Florida Legislature 111 West Madison Street, Room 812 Tallahassee, FL 32399-1400 Trierweiler.walt@leg.state.fl.us Rehwinkel.Charles@leg.state.fl.us Watrous.Austin@leg.state.fl.us Ponce.Octavio@leg.state.fl.us opc-discovery@leg.state.fl.us
Federal Executive Agencies (FEA) Thomas A. Jernigan Leslie R. Newton, Maj, USAF Matthew R. Vondrasek, Capt, USAF James B. Ely, MSgt, USAF Ebony M. Payton 139 Barnes Drive, Suite 1 Tyndall Air Force Base, Florida 32403 thomas.jernigan.3@us.af.mil leslie.newton.1@us.af.mil matthew.vondrasek.1@us.af.mil ebony.payton.ctr@us.af.mil	


Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706